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312 861-2200**For Settlement Purposes Only**

January 24, 2001

VIA FACSIMILELarry Johnson, Esq.
U.S. EPA, Region V
77 West Jackson Boulevard
Chicago, Illinois 60604**Re: Bayer/Himco Superfund Site**

Dear Mr. Johnson:

I am writing to detail in writing Bayer's proposal with respect to resolving certain environmental conditions at and near the Himco Superfund Site and Bayer's alleged liability with respect to the Site. As you know, Bayer has steadfastly maintained it has no liability for the past and future costs and expenses at Himco. It has worked closely with U.S. EPA for over a decade to ensure that a reasonable approach is taken. Bayer is interested in assisting U.S. EPA in addressing certain conditions that U.S. EPA believes are of concern. Moreover, Bayer would like to resolve any claims U.S. EPA might have against Bayer. Thus, for compromise purposes only, Bayer is prepared to enter into a binding agreement with U.S. EPA as follows:

1. Bayer will immediately take steps to secure the Himco Superfund Site by installing a suitable fence around the perimeter of the disposal areas at the Site. Bayer proposes a chain-link fence, six feet high. The fence will include a locking gate near the entrance from Country Road 10 to allow entry to the authorized individuals. Bayer also will make adequate provisions for inspection and maintenance of the fence for a period of ten years.

2. Bayer will immediately take steps to identify those residences on the east side of the landfill that require hook-up to the City of Elkhart municipal water system. First, Bayer will undertake appropriate sampling to determine which wells have been impacted by releases from the Landfill. As a result of sampling in April and May 2000, certain residential wells to the east of the landfill were found to possibly have volatile organic compounds and metals in well water. Additional residential wells will be tested until the lateral extent of

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Larry Johnson, Esq.

January 24, 2001

Page 2

along Westwood Drive east of Northwood towards Southwood Drive. Pending receipt and review of these results, other homes will also be tested if the results of the initial phase indicate that the zone of VOC impact extends further. U.S. EPA and Bayer will have to work together to ensure appropriate access for these purposes.

In addition, further investigations will be completed regarding the spatial extent of VOC and metals impact in groundwater in the area between the southeast section of the landfill and Westwood Drive. Towards this end, Bayer's technical representatives will develop an appropriate work plan for review and approval by the Agency and will promptly implement the plan upon approval. In making this proposal, Bayer understands the Agency is interested in assessing the vertical and horizontal extent of elevated concentrations exceeding Maximum Contaminant Levels in groundwater. We currently envision installing and sampling a combination of permanent and temporary (i.e. Geoprobe) monitoring wells in this delineation process.

Finally, Bayer will make provisions for ten years of monitoring the groundwater quality near the south and east sides of the landfill to ensure that there is no substantial deterioration of VOC or metal contamination in groundwater from Himco.

3. Bayer will immediately take steps to arrange for municipal water hookups for appropriate residences. A water main will be installed along each major road segment that is added to the municipal water supply. For each applicable residence, one lateral supply pipe will be connected to the water main, run into the home and connected to the existing water feed line. Hydrants will be installed along each roadway at appropriate intervals. Based upon our evaluation of existing data regarding groundwater quality, we propose to first install a 12-inch water main down Westwood Street from Plainfield Drive to Northwood Drive and connect all residences on both sides of Westwood Street to the municipal supply. This proposal provides the municipal supply to all homes that were tested for well water quality in April and May 2000, including several homes with well water that was found to be free of VOCs, and several homes that were not tested and may or may not be impacted. Should the results of the supplemental groundwater investigation reveal additional residences with elevated VOCs and metals, the water extension program will be expanded to those homes as well.

Bayer understands the City's normal user rates may be higher for these east side wells than normally would be the case for Elkhart residences. Bayer will work with the City to ensure that the charges to the residences are the same.

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For Settlement Purposes Only

Larry Johnson, Esq.
January 24, 2001
Page 3

4. Bayer will pay U.S. EPA \$3 million. Alternatively, Bayer is prepared to negotiate with U.S. EPA regarding contingent responsibility for subsequent releases at the site warranting further study and remediation in a manner deemed sufficient by both Bayer and U.S. EPA.

5. Bayer will release any claims it has against the Superfund and will forego any claims it has against other PRPs at the Site. Bayer will have contribution protection with respect to past and future claims at or in connection with the site.

6. U.S. EPA will give Bayer a full and complete release at the Site, except for Natural Resource Damages or criminal claims.

Bayer is prepared to commence immediate negotiations of an appropriate consent decree to implement this proposal. Given that the Agency is interested in the above work on a short term basis, Bayer is prepared to go forward with the work in advance of a court-approved consent decree but only after acceptable written agreement is provided by U.S. EPA to Bayer indicating they will, in fact, agree to be bound by the terms agreed upon.

We look forward to hearing from you.

Very truly yours,



Reed S. Oslan

RSO:ds

cc: Anne H. Lewis, Esq.
Richard Kapuscinski